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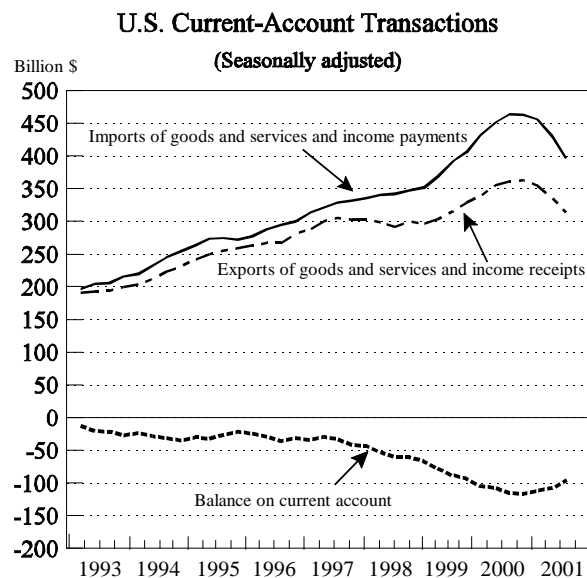
BEA 01-39

Recorded Message: 606-5362

U.S. International Transactions: Third Quarter 2001

Current Account

The U.S. current-account deficit--the combined balances on trade in goods and services, income, and net unilateral current transfers--decreased to \$95.0 billion in the third quarter of 2001 from \$107.6 billion (revised) in the second, according to preliminary estimates of the Bureau of Economic Analysis. A decrease in the deficit on goods and services more than offset small increases in the deficit on income and in net unilateral current transfers.



NOTICE

The goods, services, and financial aggregates include the economic effects of the terrorist attacks of September 11, 2001. Most of the effects on the aggregates are reflected in the regularly incorporated source data. For example, the sharp declines in receipts and payments for international travel and passenger fares experienced in September are reflected in the data on the number of travelers used in estimating these components of services exports and imports. Similarly, fluctuations in securities transactions and in banking transactions reflect the impact of the attacks on financial markets.

For certain components, however, BEA prepares adjustments to account for the effects that are not captured in its source data. Specifically, imports of insurance services (a component of "other" private services) are adjusted downward to reflect large and nonrecurring insurance claims received. (Consistent with standard BEA methodology, imports of insurance services are calculated as premiums paid to foreigners for primary insurance and for reinsurance, less claims received). U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns were also adjusted to reflect the reinsurance claims. Because most of the other effects of the terrorist attacks are embedded in BEA's source data, they cannot be separately identified.

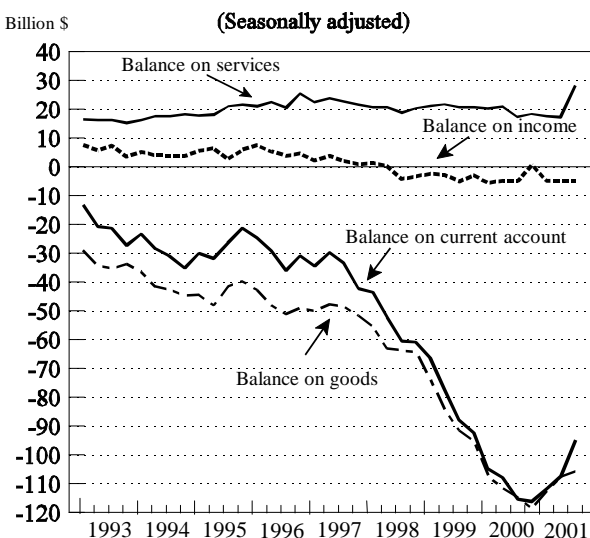
Goods and services

The deficit on goods and services decreased to \$77.6 billion in the third quarter from \$90.5 billion in the second, as the deficit on goods decreased and the surplus on services increased.

Goods The deficit on goods decreased to \$105.8 billion in the third quarter from \$107.7 billion in the second, as imports fell more than exports.

Goods exports decreased to \$173.8 billion from \$185.9 billion. Much of the decrease was accounted for by a large decrease in capital goods; industrial supplies and materials and consumer goods also decreased.

Components of U.S. Current-Account Balance



Goods imports decreased to \$279.6 billion from \$293.5 billion. Both petroleum and nonpetroleum imports decreased. Much of the decrease in nonpetroleum imports was accounted for by large decreases in capital goods and in nonpetroleum industrial supplies and materials; consumer goods also decreased.

Services The surplus on services increased to \$28.2 billion in the third quarter from \$17.1 billion in the second, as service payments decreased more than service receipts.

Service receipts decreased to \$69.6 billion from \$73.5 billion. Much of the decrease was in travel and in passenger fares, but nearly all other major categories of services also decreased.

Service payments decreased to \$41.4 billion from \$56.3 billion. A large decrease in “other” private services reflected sizable claims received from reinsurance companies abroad following the terrorist attacks of September 11; these claims are recorded on an accrual basis at the time the insured event occurs. Travel, passenger fares, and “other” transportation payments also decreased by large amounts.

Income

The deficit on income was virtually unchanged at \$5.0 billion in the third quarter, as income receipts and income payments decreased by nearly the same amount.

Investment income Income receipts on U.S.-owned assets abroad decreased to \$69.8 billion from \$76.3 billion. “Other” private receipts accounted for much of the decrease. Direct investment receipts also decreased.

Income payments on foreign-owned assets in the United States decreased to \$73.5 billion from \$79.9 billion. “Other” private payments, direct investment payments, and U.S. Government payments all decreased.

Compensation of employees Receipts for compensation of U.S. workers abroad were virtually unchanged at \$0.6 billion. Payments for compensation of foreign workers in the United States were virtually unchanged at \$1.9 billion.

Unilateral current transfers

Unilateral current transfers were net outflows of \$12.4 billion in the third quarter, up from net outflows of \$12.0 billion in the second. The increase was accounted for by increases in U.S. Government grants and in private remittances and other transfers.

Capital and Financial Account

Capital Account

Capital account transactions were net inflows of \$0.2 billion in the third quarter, virtually unchanged from the second.

Financial Account

Net recorded financial inflows--net acquisitions by foreign residents of assets in the United States less net acquisitions by U.S. residents of assets abroad--were \$36.7 billion in the third quarter, compared with \$154.4 billion (revised) in the second. Financial inflows for foreign-owned assets in the United States decreased much more than financial outflows for U.S.-owned assets abroad.

U.S.-owned assets abroad

U.S.-owned assets abroad increased \$15.4 billion in the third quarter, following an increase of \$72.2 billion in the second. There was a shift to a decrease in claims reported by U.S. banks and a shift to net U.S. sales of foreign securities.

U.S. claims on foreigners reported by U.S. banks decreased \$56.0 billion in the third quarter, in contrast to an increase of \$0.1 billion in the second. The third-quarter decrease reflected a substantial reduction in the demand for U.S. bank credit abroad as foreign economic activity slowed.

Transactions in foreign securities shifted to net U.S. sales of \$14.0 billion in the third quarter from net U.S. purchases of \$51.1 billion in the second. Net U.S. purchases of foreign stocks were \$5.7 billion, down from \$55.1 billion; the decrease was attributable to a slowdown in exchanges of stocks related to purchases of U.S. companies by foreign companies and to a decline in nonmerger-related net U.S. purchases. Net U.S. sales of foreign bonds were \$19.7 billion, up from \$4.0 billion, as foreign economic activity slowed.

Net financial outflows for U.S. direct investment abroad were \$52.1 billion in the third quarter, up from \$41.1 billion in the second. The increase was largely attributable to a rise in net equity capital outflows. Net intercompany debt outflows also increased, and reinvested earnings decreased slightly.

U.S. official reserve assets increased \$3.6 billion in the third quarter, following an increase of \$1.3 billion in the second.

Foreign-owned assets in the United States

Foreign-owned assets in the United States increased \$52.1 billion in the third quarter, following an increase of \$226.6 billion in the second. There was a shift to a decrease in liabilities reported by U.S. banks and reductions in inflows for net foreign purchases of U.S. securities other than U.S. Treasury securities and for foreign direct investment in the United States.

U.S. liabilities to foreigners reported by U.S. banks, excluding U.S. Treasury securities, decreased \$54.0 billion in the third quarter, in contrast to an increase of \$44.3 billion in the second. The third-quarter decrease reflected a sharp reduction in the demand for funds in the United States as a consequence of the U.S. recession and the availability of adequate liquidity from domestic sources.

Net foreign purchases of U.S. securities other than U.S. Treasury securities were \$77.5 billion in the third quarter, down from \$140.5 billion in the second. Net foreign purchases of U.S. stocks were \$7.5 billion, down from \$40.6 billion; the U.S. recession and uncertain financial conditions significantly reduced the attractiveness of U.S. stocks. Net foreign purchases of U.S. corporate and other bonds were \$69.9 billion, down from \$99.9 billion.

Net foreign sales of U.S. Treasury securities were \$9.4 billion in the third quarter, up from \$8.7 billion in the second.

Net financial inflows for foreign direct investment in the United States were \$26.4 billion in the third quarter, down from \$65.2 billion in the second. A sizable slowdown in net equity capital inflows partly reflected the worldwide slowdown in economic activity and a decline in foreign acquisitions of U.S. companies. Net intercompany debt inflows also slowed, and reinvested earnings were negative.

Net U.S. currency shipments from the United States to foreign countries were \$8.2 billion in the third quarter, up from \$2.8 billion in the second.

Foreign official assets in the United States increased \$16.8 billion in the third quarter, in contrast to a decrease of \$20.9 billion in the second. The third-quarter increase was more than accounted for by increases in assets of industrial countries and of non-OPEC developing countries. Assets of OPEC members decreased.

The statistical discrepancy--errors and omissions in recorded transactions--was a positive \$58.1 billion in the third quarter, in contrast to a negative \$47.0 billion in the second.

In the third quarter, the U.S. dollar depreciated 1 percent on a trade-weighted quarterly average basis against a group of 7 major currencies.

Revisions

The second-quarter international transactions are revised from previously published estimates. The current-account deficit was revised to \$107.6 billion from \$106.5 billion. The goods deficit was revised to \$107.7 billion from \$107.8 billion; the services surplus was revised to \$17.1 billion from \$18.9 billion; the deficit on income was revised to \$5.0 billion from \$5.5 billion; and unilateral current transfers were revised to net outflows of \$12.0 billion from net outflows of \$12.1 billion.

* * *

Release dates in 2002:

Fourth quarter and year 2001.....	March 14, 2002 (Thursday)
First quarter 2002.....	June 20, 2002 (Thursday)
Second quarter 2002.....	September 12, 2002 (Thursday)
Third quarter 2002.....	December 12, 2002 (Thursday)

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Summary BEA estimates are available on recorded messages at the time of public release at the following telephone numbers:

(202) 606-5362 U.S. international transactions
-5306 Gross domestic product
-5303 Personal income and outlays

Most of BEA's estimates and analyses are published in the Survey of Current Business, BEA's monthly journal. Subscriptions and single copies of the printed Survey are for sale by the Superintendent of Documents, U.S. Government Printing Office. Internet: <bookstore.gpo.gov>; phone: 202-512-1800; fax: 202-512-2250; mail: Stop SSOP, Washington, DC 20402-0001.

Table 1.--U.S. International Transactions
[Millions of dollars, quarters seasonally adjusted]

(Credits +, debits -)	2000	2000				2001			Change: 2001 II-III
		I	II	III	IV	I	II ^r	III ^p	
Current account									
1 Exports of goods and services and income receipts.....	1,418,568	339,645	355,075	361,236	362,617	354,624	336,193	313,838	-22,355
2 Exports of goods and services.....	1,065,702	257,256	265,822	272,497	270,131	269,092	259,315	243,391	-15,924
3 Goods, balance of payments basis.....	772,210	185,142	191,558	199,273	196,237	194,942	185,864	173,775	-12,089
4 Services.....	293,492	72,114	74,264	73,224	73,894	74,150	73,451	69,616	-3,835
5 Transfers under U.S. military agency sales contracts.....	14,060	3,401	3,910	3,329	3,420	3,380	3,362	3,048	-314
6 Travel.....	82,042	20,448	20,976	20,226	20,392	20,777	19,901	17,427	-2,474
7 Passenger fares.....	20,745	5,013	5,342	5,213	5,177	5,016	4,943	4,426	-517
8 Other transportation.....	30,185	7,365	7,619	7,593	7,609	7,418	7,116	6,981	-135
9 Royalties and license fees.....	38,030	9,345	9,525	9,538	9,624	9,555	9,750	9,537	-213
10 Other private services.....	107,568	26,338	26,679	27,105	27,447	27,777	28,178	27,983	-195
11 U.S. Government miscellaneous services.....	862	204	213	220	225	227	201	214	13
12 Income receipts.....	352,866	82,389	89,253	88,739	92,486	85,532	76,878	70,447	-6,431
13 Income receipts on U.S.-owned assets abroad.....	350,525	81,814	88,670	88,151	91,891	84,918	76,259	69,822	-6,437
14 Direct investment receipts.....	149,240	34,734	37,591	37,335	39,581	37,081	34,296	32,305	-1,991
15 Other private receipts.....	197,440	46,014	49,941	49,971	51,514	46,920	41,167	36,676	-4,491
16 U.S. Government receipts.....	3,845	1,066	1,138	845	796	917	796	841	45
17 Compensation of employees.....	2,341	575	583	588	595	614	619	625	6
18 Imports of goods and services and income payments.....	-1,809,099	-432,624	-450,748	-463,461	-462,268	-454,668	-431,731	-396,463	35,268
19 Imports of goods and services.....	-1,441,441	-344,578	-356,606	-369,837	-370,424	-364,115	-349,858	-320,978	28,880
20 Goods, balance of payments basis.....	-1,224,417	-292,547	-303,229	-313,884	-314,757	-307,462	-293,522	-279,603	13,919
21 Services.....	-217,024	-52,031	-53,377	-55,953	-55,667	-56,653	-56,336	-41,375	14,961
22 Direct defense expenditures.....	-13,560	-3,262	-3,382	-3,541	-3,375	-3,567	-3,513	-3,700	-187
23 Travel.....	-64,537	-16,399	-16,123	-16,075	-15,940	-16,160	-16,144	-13,628	2,516
24 Passenger fares.....	-24,197	-5,805	-6,146	-6,226	-6,020	-5,953	-6,445	-5,857	588
25 Other transportation.....	-41,058	-9,693	-10,097	-10,554	-10,718	-10,514	-9,702	-9,017	685
26 Royalties and license fees.....	-16,106	-3,604	-3,715	-4,535	-4,253	-4,166	-4,164	-4,158	6
27 Other private services.....	-54,687	-12,554	-13,200	-14,298	-14,634	-15,555	-15,642	-4,286	11,356
28 U.S. Government miscellaneous services.....	-2,879	-714	-714	-724	-727	-738	-726	-729	-3
29 Income payments.....	-367,658	-88,046	-94,142	-93,624	-91,844	-90,553	-81,873	-75,485	6,388
30 Income payments on foreign-owned assets in the United States.....	-360,146	-86,194	-92,259	-91,771	-89,920	-88,579	-79,917	-73,538	6,379
31 Direct investment payments.....	-68,009	-18,369	-19,474	-16,286	-13,878	-14,408	-10,870	-8,260	2,610
32 Other private payments.....	-184,465	-41,751	-45,884	-48,116	-48,714	-47,180	-42,667	-39,386	3,281
33 U.S. Government payments.....	-107,672	-26,074	-26,901	-27,369	-27,328	-26,991	-26,380	-25,892	488
34 Compensation of employees.....	-7,512	-1,852	-1,883	-1,853	-1,924	-1,974	-1,956	-1,947	9
35 Unilateral current transfers, net.....	-54,136	-11,924	-12,461	-13,080	-16,673	-11,734	-12,038	-12,355	-317
36 U.S. Government grants.....	-16,821	-2,912	-3,232	-3,634	-7,043	-2,419	-2,508	-2,669	-161
37 U.S. Government pensions and other transfers.....	-4,705	-1,168	-1,179	-1,183	-1,177	-1,237	-1,213	-1,220	-7
38 Private remittances and other transfers.....	-32,610	-7,844	-8,050	-8,263	-8,453	-8,078	-8,317	-8,466	-149

Table 1.--U.S. International Transactions (Continued)
[Millions of dollars, quarters seasonally adjusted]

(Credits +, debits -)		2000	2000				2001			Change: 2001 II-III
			I	II	III	IV	I	II ^r	III ^p	
Capital and financial account										
Capital account										
39	Capital account transactions, net.....	705	173	173	175	184	173	177	182	5
Financial account										
40	U.S.-owned assets abroad, net (increase/financial outflow (-)).....	-580,952	-198,105	-93,573	-107,727	-181,548	-243,120	-72,175	-15,383	56,792
41	U.S. official reserve assets, net.....	-290	-554	2,020	-346	-1,410	190	-1,343	-3,559	-2,216
42	Gold.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
43	Special drawing rights.....	-722	-180	-180	-182	-180	-189	-156	-145	11
44	Reserve position in the International Monetary Fund.....	2,308	-237	2,328	1,300	-1,083	574	-1,015	-3,242	-2,227
45	Foreign currencies.....	-1,876	-137	-128	-1,464	-147	-195	-172	-172	.....
46	U.S. Government assets, other than official reserve assets, net.....	-944	-127	-572	114	-359	21	-786	23	809
47	U.S. credits and other long-term assets.....	-5,177	-1,750	-1,368	-1,050	-1,009	-1,094	-1,330	-1,007	323
48	Repayments on U.S. credits and other long-term assets.....	4,257	1,329	855	1,265	808	1,015	570	1,059	489
49	U.S. foreign currency holdings and U.S. short-term assets, net.....	-24	294	-59	-101	-158	100	-26	-29	-3
50	U.S. private assets, net.....	-579,718	-197,424	-95,021	-107,495	-179,779	-243,331	-70,046	-11,847	58,199
51	Direct investment.....	-152,437	-38,388	-33,346	-41,634	-39,070	-40,940	-41,064	-52,062	-10,998
52	Foreign securities.....	-124,935	-27,546	-39,639	-33,129	-24,621	-31,591	-51,109	13,963	65,072
53	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns.....	-163,846	-75,256	-29,491	-14,585	-44,514	-61,011	22,232	-29,773	-52,005
54	U.S. claims reported by U.S. banks, not included elsewhere.....	-138,500	-56,234	7,455	-18,147	-71,574	-109,789	-105	56,025	56,130
55	Foreign-owned assets in the United States, net (increase/financial inflow (+))....	1,024,218	256,782	250,007	222,108	295,321	346,660	226,581	52,111	-174,470
56	Foreign official assets in the United States, net.....	37,619	22,498	6,447	12,247	-3,573	4,898	-20,879	16,814	37,693
57	U.S. Government securities.....	30,676	24,311	6,334	5,271	-5,240	2,547	-10,851	15,594	26,445
58	U.S. Treasury securities.....	-10,233	16,204	-4,000	-9,001	-13,436	-1,027	-20,783	15,810	36,593
59	Other.....	40,909	8,107	10,334	14,272	8,196	3,574	9,932	-216	-10,148
60	Other U.S. Government liabilities.....	-1,987	-474	-1,000	-220	-293	-1,246	-926	113	1,039
61	U.S. liabilities reported by U.S. banks, not included elsewhere.....	5,803	-2,270	209	6,884	980	2,594	-10,130	-874	9,256
62	Other foreign official assets.....	3,127	931	904	312	980	1,003	1,028	1,981	953
63	Other foreign assets in the United States, net.....	986,599	234,284	243,560	209,861	298,894	341,762	247,460	35,297	-212,163
64	Direct investment.....	287,655	36,508	90,394	76,046	84,707	52,472	65,208	26,388	-38,820
65	U.S. Treasury securities.....	-52,792	-9,348	-20,546	-12,503	-10,395	656	-8,678	-9,436	-758
66	U.S. securities other than U.S. Treasury securities.....	485,644	136,208	94,400	128,393	126,643	148,809	140,512	77,455	-63,057
67	U.S. currency.....	1,129	-6,847	989	757	6,230	2,311	2,772	8,203	5,431
68	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns.....	177,010	85,188	24,400	19,078	48,344	130,624	3,375	-13,298	-16,673
69	U.S. liabilities reported by U.S. banks, not included elsewhere.....	87,953	-7,425	53,923	-1,910	43,365	6,890	44,271	-54,015	-98,286
70	Statistical discrepancy (sum of above items with sign reversed).....	696	46,053	-48,473	749	2,367	8,065	-47,007	58,070	105,077
Memoranda:										
71	Balance on goods (lines 3 and 20).....	-452,207	-107,405	-111,671	-114,611	-118,520	-112,520	-107,658	-105,828	1,830
72	Balance on services (lines 4 and 21).....	76,468	20,083	20,887	17,271	18,227	17,497	17,115	28,241	11,126
73	Balance on goods and services (lines 2 and 19).....	-375,739	-87,322	-90,784	-97,340	-100,293	-95,023	-90,543	-77,587	12,956
74	Balance on income (lines 12 and 29).....	-14,792	-5,657	-4,889	-4,885	642	-5,021	-4,995	-5,038	-43
75	Unilateral current transfers, net (line 35).....	-54,136	-11,924	-12,461	-13,080	-16,673	-11,734	-12,038	-12,355	-317
76	Balance on current account (lines 1, 18, and 35 or lines 73, 74, and 75).....	-444,667	-104,903	-108,134	-115,305	-116,324	-111,778	-107,576	-94,980	12,596

^r Revised. ^p Preliminary.

NOTE:--Details may not add to totals because of rounding. Source: U. S. Department of Commerce, Bureau of Economic Analysis